



**Thomas M. Menino, Mayor**

# **City of Boston**

## **Fiscal Year 2010 Recommended Budget**

## CONTEXT FOR BUILDING THE CITY OF BOSTON'S FY10 BUDGET

The FY10 budget, while lean due to the global financial environment, focuses on what constituents value most: investments in youth, strong neighborhoods, and economic stability.

It is important to understand the fiscal context in which the FY10 budget was developed. The FY10 budget development process was one of the most challenging of the past few decades. At the end of 2008 when the severity of the global financial crisis became evident, the City projected a FY10 budget gap of \$140 million. Through a combination of early action, sensible reform, prudent use of federal funds and reserves and, above all else, shared sacrifice, that gap has been closed.

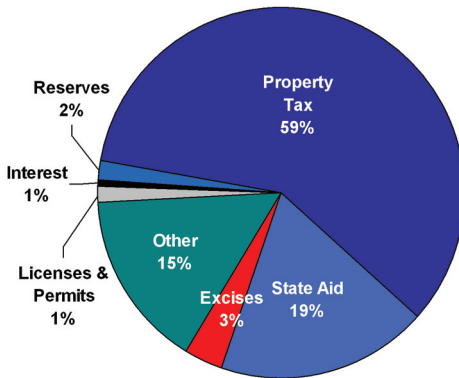
The FY10 Budget totals \$2.425 billion, a negligible increase of \$5.0 million or 0.2% from FY09. In fact in FY10, we are expecting no growth in total recurring revenues and will have to increase our allocation of reserves. This expectation is drastically different from our experience over the last decade when the City's annual average total recurring revenue growth rate was 3.1%.

The City anticipates that most recurring revenue, other than the Property Tax, will decrease mainly due to the economic downturn that is impacting government and private businesses across the country. The FY10 budget estimates that state local aid, our second largest source of revenue, will decrease significantly. However, it is important to note that this could be reduced even further as the state completes its budget deliberations. Appropriations have been reduced substantially as a result of this dismal revenue outlook. Despite these reductions the FY10 budget was developed to ensure that we are able to sustain essential services and advance critical investments in the City's future.

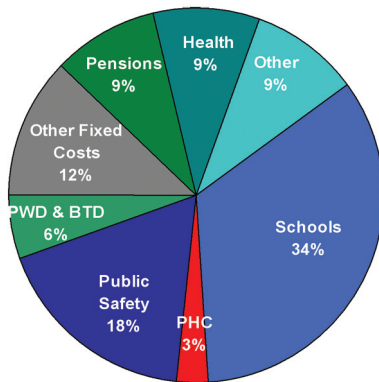
## FY10 BUDGET

- ♦ The FY10 Operating Budget totals \$2.42 billion.
- ♦ This budget is a 0.2% increase over the FY09 Budget.
- ♦ The City remains challenged by its over-reliance on property taxes to fund services.
- ♦ The FY10 budget includes use of one-third of the City's spendable reserves, \$40 million.

### Major Revenue Sources



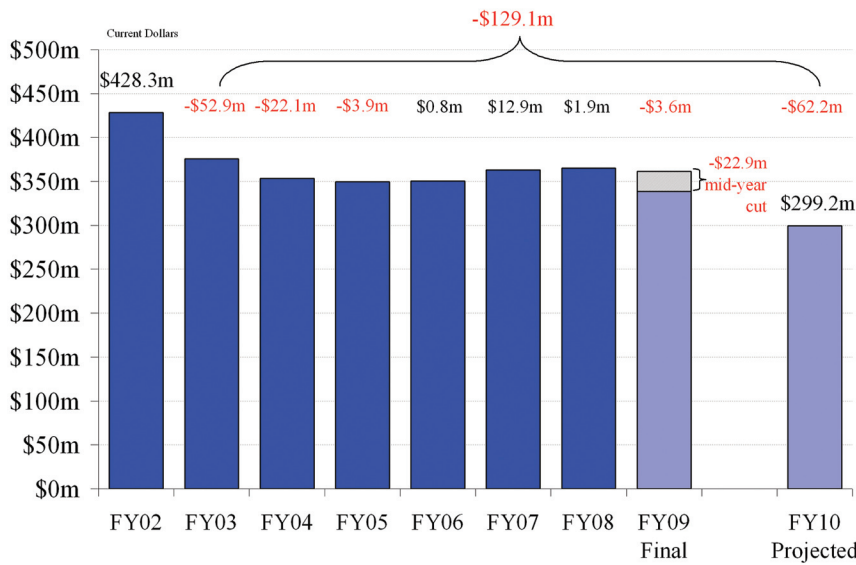
### Major Expenditure Areas



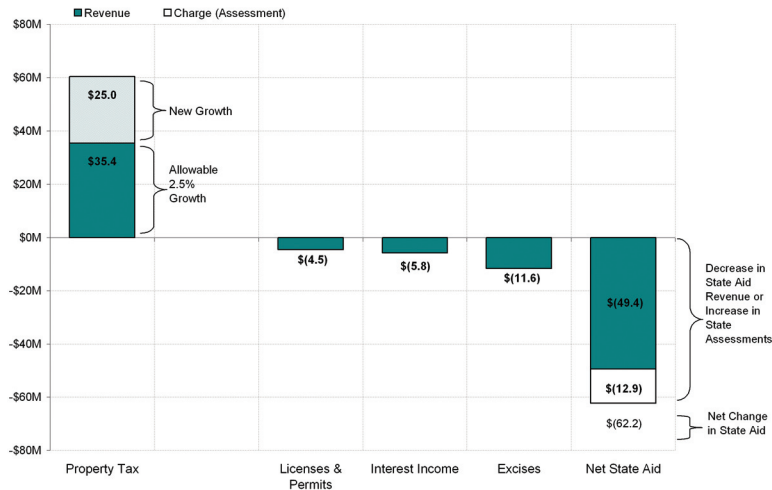
*Note: Totals may not add due to rounding. Total health benefits costs, including those in Schools and PHC are 12.8% of total expenditures. Health expenditures include \$25 million to OPEB liability.*

# FY10 REVENUE CONSTRAINTS

## STATE AID



## REVENUE GROWTH BY SELECTED MAJOR SOURCES



## **FY10 REVENUE CONSTRAINTS CONT'D**

- ♦ During the course of FY09, State Aid was cut by \$23 million.
- ♦ For FY10, the City is estimating a loss in net State Aid of \$62.2 million from the adopted FY09 budget.
- ♦ State Aid could be reduced even further as the state completes its budget deliberations.
- ♦ Property tax receipts continue to grow, but most other major revenue accounts decline as they are more sensitive to the weakening economy.

## **HIGHLIGHTS OF THE FY10 OPERATING BUDGET**

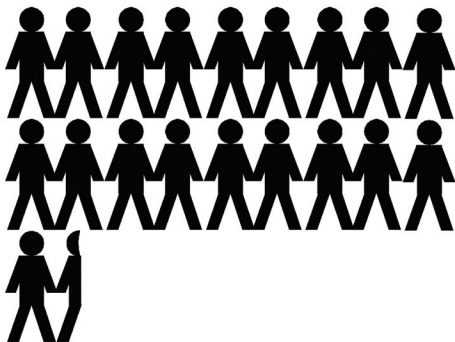
- ♦ Supports five new or expanded K-8 schools and 5 new or expanded pilot schools.
- ♦ Improves dropout prevention and recovery initiatives, including a new Transition Center to welcome back students who have dropped out.
- ♦ Increases resources for foreclosure and homelessness prevention programs.
- ♦ Adds 3 Community Learning sites, bringing the total to 8 locations where school, library, and community resources coordinate to expand learning opportunities for children.
- ♦ Continues growth of single-stream recycling citywide, with additional neighborhoods coming online in FY10.
- ♦ Reduces infrastructure costs through energy efficiencies at City Hall and other municipal buildings.
- ♦ Advances cost-saving green technology infrastructure and services.
- ♦ Sustains the Mayor's Summer Jobs program with level funding, supporting employment opportunities for 3,600 teens.

# SHARED SACRIFICE AND EXCEPTIONAL PARTNERSHIP

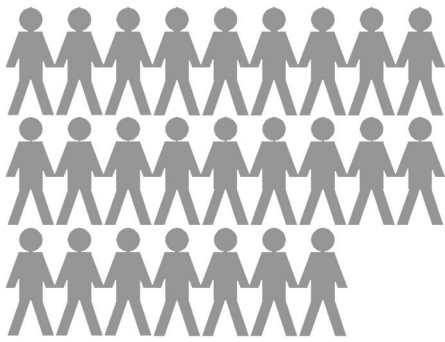
- Budget development based on resource availability in late 2008 resulted in anticipated layoffs in excess of 1,000 people.
- 22 unions representing more than 5,000 employees agreed to FY10 wage freeze, saving \$8.7 million and 196 jobs
- Strategic use of more than \$20 million in federal stimulus funds through the American Recovery and Reinvestment Act (ARRA), saving 250 jobs in Boston Public Schools and Police Department


## 446 JOBS SAVED CITYWIDE

196 JOBS SAVED  
WAGE FREEZE



250 JOBS SAVED  
AMERICAN RECOVERY AND  
REINVESTMENT ACT



 = 10 jobs

*Note: Jobs saved are all funds.*

## HIGHLIGHTS OF THE FY10-FY14 CAPITAL PLAN

The FY10-FY14 capital plan totals \$1.5 billion, supporting over 320 projects, including \$53 million in new authorizations.

### ~INVESTING IN YOUTH AND FAMILIES~

- ♦ The BPS Pathways to Excellence program begins with renovations at 25 schools, including school library upgrades, increased kindergarten classroom space, and new K-8 programs at the King, Curley and Edison schools.
- ♦ In partnership with the Boston Schoolyard Initiative, new schoolyards will be built at the Lyndon, Bradley, and Curley schools.
- ♦ Outdoor classrooms will be built at the Conley and Winship schools.
- ♦ Renovations begin at the Shelburne Community Center and design work will continue on the Mattahunt and Curtis Hall centers.
- ♦ Following major renovations, Chester Square Park, Phillips Street, and Byrne Playground will re-open to the public.
- ♦ Ripley and Hynes playgrounds will begin thorough renovations.

### ~IMPROVING NEIGHBORHOODS~

- ♦ Brighton Branch Library will begin a major renovation to improve accessibility, lighting and energy efficiency, making this the first LEED Silver branch in Boston.
- ♦ The Fire Department will take delivery of three ladder trucks, two pumps, an air supply truck and a rescue vehicle.

### ~STRENGTHENING THE ECONOMY~

- ♦ The new B-2 Police Station in Dudley Square will begin construction. This building is designed to LEED Silver standards and will be built on a cleaned-up brownfield site.
- ♦ The City's annual resurfacing program will focus on non-Federal, residential streets to complement the American Recovery and Reinvestment Act's program for 21 miles of roadway, including improving 400 pedestrian ramps and adding bicycle lanes where feasible.
- ♦ Solar panels will be installed at three schools and two other municipal buildings as part of SolarBoston. These panels will supply energy to their buildings and also allow the City to sell energy back to the grid.

## BOSTON'S BOND RATING

As a result of the City's strong budgetary controls and prudently designed debt practices, in March 2009, Standard and Poor's and Moody's Investor Service reaffirmed Boston's AA+ and Aa1 ratings, respectively.

|      | MOODY'S | S&P  |
|------|---------|------|
| 2009 | A a 1   | AA + |
| 2008 | A a 1   | AA + |
| 2007 | A a 1   | AA + |
| 2006 | A a 1   | AA   |
| 2005 | A a 1   | AA   |
| 2004 | A a 2   | AA   |
| 2003 | A a 2   | AA - |
| 2002 | A a 2   | AA - |
| 2001 | A a 2   | AA - |
| 2000 | A a 3   | AA - |
| 1999 | A a 3   | A +  |
| 1998 | A a 3   | A +  |
| 1997 | A 1     | A +  |
| 1996 | A 1     | A +  |
| 1995 | A       | A +  |
| 1994 | A       | A    |